

U.S. existing home sales rise in sign sector healing

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By Alister Bull

WASHINGTON (Reuters) - U.S. existing home sales notched their third monthly rise in June and prices hit their highest level since October, fueling hopes that the housing sector is finally on the mend and will help propel a broader economic recovery.

U.S. stocks surged more than 2 percent on the home sales data. The Dow Jones industrial average punched through the 9,000 mark for the first time since January as investors took heart that a turn in the housing market -- seen as a linchpin of the economy -- would end a severe U.S. recession and help deliver growth over the rest of the year.

The National Association of Realtors (NAR) said sales of existing homes in June rose 3.6 percent to an annual rate of 4.89 million units, compared with a downwardly revised 4.72 million pace in May. The June reading topped forecasts for a 4.84 million unit annual pace.

"This is a very good report, as it suggests that the recent momentum in U.S. housing activity may be gathering some traction as U.S. homebuyers take advantage of the very favorable mortgage rates and home prices," said Millan Mulraine, economics strategist at TD Securities in Toronto.

The NAR said it was the first time the industry had experienced three straight months of gains in existing home sales since early 2004.

"Overall, the news is positive. We have increasing home sales for the third straight month along with declining inventory," Lawrence Yun, NAR chief economist, told a press conference.

"The housing market is healing after four years of recession," he said.

INVENTORIES DOWN

The inventory of existing homes for sale declined 0.7 percent to 3.82 million in June. The median price was up 4.0 percent compared with the month before and at the highest level since October.

"The months supply of home for resale is coming down and the housing market is stabilizing," said Torsten Slok, a senior economist at Deutsche Bank in New York.

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